



UGAFODE Microfinance Limited (MDI)

2020 FINANCIAL PERFORMANCE Word from the CEO



CEO's Statement

I am pleased to report another year of strong and resilient performance. The FY 2020 was a year like no other following the aftermath of the COVID-19 pandemic and its unprecedented effects on global scales in which UGAFODE was not spared. Despite the challenges, UGAFODE has exhibited resilience and an unrelenting drive as it accomplished the operations in line with its business strategy as highlighted in the financial results below.

Key developments

During the year 2020, amidst the lockdowns associated with the Covid-19 pandemic, UGAFODE remained resilient and opened two new branches in Nakivale Refugee Settlement dedicated to serving refugees and members of the host communities (the first of its kind) in Isingiro District and Nansana in Wakiso district.

In order to drive the Financial Inclusion for Refugees agenda, UGAFODE partnered with Office of the Prime Minister, Grameen Credit Agricole/Swedish International Development Agency (SIDA), and KIVA to introduce formal financial services in the form of savings, loans money transfers and financial literacy training to refugees in Nakivale settlement as well as host communities.

The financial literacy program is aimed at creating awareness and educating the refugees on access to financial services. At least 14,324 refugees and members of the host communities had benefited from the program in partnership with Wakati Foundation, a local refugee NGO.

In line with our digital transformation strategy that is aimed at enhancing customer convenience and access, we plan to implement a remote client on-boarding solution as well as a partnership with the Agent Banking Company to implement the agency banking service as one of the channels of access to promote financial inclusion.

In line with the Institution's brand promise: 'We listen; We care', we are committed to standing with our customers in these uncertain times. We are confident in our ability to serve the rapidly changing customer needs and contribute to the growth of the economy in 2021.

My appreciation goes out to our esteemed customers, shareholders, the Board, staff and partners for their continuous contribution to the success of UGAFODE.

Shafi Nambobi
Chief Executive Officer

I. REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS TO THE MEMBERS OF UGAFODE MICROFINANCE LIMITED (MDI)

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2020, the summary statement of comprehensive income for the year then ended, and other disclosures, are derived from the audited financial statements of UGAFODE Microfinance Limited (MDI) for the year ended 31 December 2020.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with, the Microfinance Deposit-Taking Institutions Act, 2003 Laws of Uganda and the Financial Institutions (External Auditors) Regulations, 2010.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards, the Microfinance Deposit-Taking Institutions Act, 2003 Laws of Uganda and the Companies Act, 2012 Laws of Uganda. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 29 April 2021. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

Directors' Responsibility for the Summary Financial Statements

The directors are responsible for the preparation of the summary financial statements in accordance with the Microfinance Deposit-Taking Institutions Act, 2003 Laws of Uganda and the Financial Institutions (External Auditors) Regulations, 2010.

Auditors' responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements".

KPMG
Certified Public Accountants
3rd Floor Rwenzori Courts
Plot 2/4A, Nakasero Road,
PO Box 3509
Kampala, Uganda
29 April 2021

II. SUMMARY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

Particulars	2020 Shs '000	2019 Shs '000
ASSETS		
Cash and cash equivalents	7,249,839	7,131,805
Loans and advances to customers (Net)	56,095,022	42,217,167
Short term investments	1,141,804	1,602,207
Property and equipment	4,042,065	3,551,384
Intangible assets	2,176,378	2,450,933
Right of use of an asset	1,997,287	1,802,760
Other assets	1,479,747	886,750
Current tax	-	516,438
TOTAL ASSETS	74,182,142	60,159,444
LIABILITIES		
Customer's deposits	28,447,097	21,295,417
Borrowings	23,270,994	18,097,193
Subordinated debt	885,264	807,114
Tax payable	167,204	-
Lease liability	1,828,229	1,693,110
Loan insurance fund	727,565	784,066
Other liabilities	2,350,813	2,238,014
Deferred grant	1,418,817	1,240,445
Administered funds	10,803	10,803
Deferred tax liability	1,069,398	894,150
TOTAL LIABILITIES	60,176,184	47,060,312
EQUITY		
Share capital	1,669,151	1,669,151
Retained earnings	772,028	316,436
Share premium	9,275,006	9,275,006
Regulatory credit risk reserve	1,417,034	965,800
Capital reserves	872,739	872,739
TOTAL EQUITY	14,005,958	13,099,132
TOTAL EQUITY AND LIABILITIES	74,182,142	60,159,444

III. SUMMARY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

Particulars	2020 Shs '000	2019 Shs '000
Income		
Interest on deposits and placements	379,679	327,348
Interest on loans and advances	23,042,094	20,504,223
Fees and commissions income	120,477	261,848
Other income	1,621,638	1,508,276
Total income	25,163,888	22,601,695
Expenditure		
Interest expense on deposits	2,772,387	2,109,044
Interest expense on borrowings	2,486,024	2,088,609
Other interest expense	163,191	156,922
Provisions for bad and doubtful debts	1,334,579	1,526,411
Operating expenses	16,604,395	15,273,933
Total Expenditure	23,360,576	21,154,919
Net profits before tax	1,803,312	1,446,776
Taxation	(896,486)	(577,422)
Net Profits after tax	906,826	869,354
Other comprehensive income	-	-
Total comprehensive income	906,826	869,354

IV. OTHER DISCLOSURES

	2020 Shs'000	2019 Shs'000
Non-performing loans and other assets	3,505,253	1,887,774
Interest in suspense	511,938	205,965
Bad debts written off	731,259	1,208,325

CAPITAL POSITION

	2020 Shs'000	2019 Shs'000
Core Capital	11,716,185	11,260,593
Supplementary capital	1,736,641	1,754,927
Total qualifying Capital	13,452,826	13,015,520
Total Risk Weighted Assets (RWA)	67,017,570	52,462,463
Core Capital to RWA	17.48%	21.46%
Total Capital to RWA	20.07%	24.81%

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2020

- Total assets grew by 23.31% from Shs 60.2 billion to Shs 74.2 billion
- Loans and advances increased by 32.87% from Shs 42.2 billion to Shs 56.1 billion
- Deposits from customers increased by 33.58% from 21.3 billion to Shs 28.4 billion
- Total savings accounts increased by 10.43% from 102,296 to 112,966
- Return on Equity stood at 6.47% (2019: 6.64%) while Return on Assets stood at 1.22% (2019: 1.45%)

MESSAGE FROM DIRECTORS

The above summary Statement of Financial Position and summary Statement of Comprehensive Income are derived from the financial statements of UGAFODE Microfinance Limited for the year ended 31 December 2020 which were audited by KPMG Certified Public Accountants and received an unmodified opinion.

The financial statements were approved by the Board of Directors on 9 April 2021 and discussed with Bank of Uganda on 23 April 2021.

Prof. Ben Kiregyera
Board Chairman

Shafi Nambobi
Chief Executive Officer

UGAFODE Microfinance Limited (MDI) is regulated by Bank of Uganda

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